PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE SAN FRANCISCO, CA 94102-3298

August 22, 2017



TO PARTIES OF RECORD IN RULEMAKING (R.) 11-05-005, R.08-08-009, and APPLICATION (A.) 08-07-017:

This is the revised proposed decision of Administrative Law Judge Robert Mason. This revised proposed decision is being mailed since the original proposed decision was not filed and served in the R.08-08-009 and A.08-07-017 proceedings.

Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's September 28, 2017 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon Acting Chief Administrative Law Judge

AES:jt2

Attachment

Decision <u>REVISED PROPOSED DECISION OF ALJ MASON</u> (Mailed 8/22/2017)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005	
(NOT CONSOLIDATED)		
Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 08-08-009	
(NOT CONSOLIDATED)		
Application of San Diego Gas & Electric Company (U902M) for Approval of the SDG&E Solar Energy Project.	Application 08-07-017	

REVISED DECISION DENYING SAN DIEGO GAS & ELECTRIC COMPANY'S PETITION FOR MODIFICATION OF DECISIONS (D.) 10-12-048, D.12-02-002, AND D.14-11-042 TO TERMINATE ITS RENEWABLE AUCTION MECHANISM PROCUREMENT REQUIREMENTS

Summary

We deny San Diego Gas & Electric Company's (SDG&E) Petition for Modification of Decisions (D.) 10-12-048, D.12-02-002, and D.14-11-042 (Petition). SDG&E has failed to meet its burden set forth in Rule 16.4 (b) of the Commission's Rules of Practice and Procedure to justify the requested relief.

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As we explain in greater detail in the Background section, the three decisions that are the subject of this Petition approved and modified the Renewable Auction Mechanism procurement program, and granted particularized relief to SDG&E by allowing it to combine its solicitation obligations from its Solar Energy Project and its Renewable Auction Mechanism. SDG&E asks the Commission to terminate the letter requirement on various grounds including (among others) that SDG&E's Renewable Auction Mechanism goals have been met.

While we agree that SDG&E currently has sufficient Renewable Portfolio Standard (RPS) resources under contract, we find it would be prudent for SDG&E to retain its Renewable Auction Mechanism solicitation. Retention will help California achieve its mandate to reduce 2030 greenhouse gas emissions by 40% below 1990 levels and increase the RPS to 50%. As there is an ongoing need to decarbonize California's electricity supply while maximizing the value of California's existing and potential renewable resources, we see the continuation of the Renewable Auction Mechanism as playing a vital role in achieving California's long-term greenhouse gas reduction goals.

SDG&E's Petition is also untimely as it was filed more than a year after the issuance of the last of the three Commission decisions that are the subject of the Petition, without justification for the delay.

Accordingly, SDG&E's Petition is denied on both substantive and procedural grounds.

This proceeding remains open.

1. Background

1.1. The Renewable Auction Mechanism Program

The Renewable Auction Mechanism (RAM) program is a means by which Investor-owned Utilities (IOUs) may procure Renewable Portfolio Standard (RPS) eligible generation. The IOUs may use RAM to satisfy authorized procurement needs, as well as any need arising from Commission or legislative mandates. RAM streamlines the procurement process for developers, utilities, and regulators in that it allows bidders to set their own price, provides a simple standard contract for each utility, and allows all projects to be submitted to the Commission through an expedited regulatory review process.

1.2. Decision 10-12-048

On December 18, 2010, the Commission adopted the RAM program through Decision (D.) 10-12-048 to create a simplified market based procurement process for smaller RPS generation projects. The decision ordered IOUs such as San Diego Gas & Electric Company's (SDG&E), Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SoCal Edison) to hold four auctions over a two year period and to submit bidding protocols and standard contracts through Tier 3 advice letters. The RAM program started as a market-based procurement mechanism for renewable distributed generation (DG) projects greater than 3 megawatts (MW) and up to 20 MW. (See Decision 12-05-035.) In August of 2011, the Commission approved the IOUs' advise letters via Resolution E-4414, which adopted program implementation details, bidding protocols, and a standard RAM power purchase agreement. Resolution E-4414 also required SDG&E to procure 80.7 MW through the RAM program.

1.3. Decision 12-02-002

On February 1, 2012, The Commission issued D.12-02-002 which, in part, granted SDG&E's request to combine SDG&E's solicitation of 74 MW from independent power producers via the Solar Energy Project Program with SDG&E's solicitation of 80.7 MW through the RAM program, for a combined 154.7 MW through RAM. Subsequent to D.12-02-002, the Commission further refined the RAM program through Resolution E-4489 (April 19, 2012), Resolution E-4546 (November 8, 2012), Resolution E-4582 (May 9, 2013), and Resolution E-4655 (May 15, 2014). Of note, Resolution E-4582 authorized a fifth RAM auction to take place no later than a year after the close of the fourth RAM auction.

1.4. Decision 14-11-042

On November 20, 2014, the Commission issued D.14-11-042 and adopted one additional RAM auction, RAM 6, to close by June 30, 2015. The Commission ordered SDG&E to procure an additional 10 MW for a total of 164.7MW. In the RAM 6 solicitation that was held from July 13, 2015 to August 21, 2015, SDG&E initially sought to shortlist one 20 MW bid and contingently shortlist four other bids (out of 35 conforming bids) subject to follow-up with respondents on those bids. SDG&E did not shortlist enough bids to meet the target of its the RAM VI auction, nor did it sign any contracts.

1.5. Advice Letter

On January 15, 2016, SDG&E filed Advice Letter 2849-E. It asked the Commission to review and approve a Power Purchase Agreement with

¹ Advice Letter 2849-E at 21.

² Resolution E-4783 at 6.

Solar Frontier (as part of the Green Tariff Shared Renewables Program), but did not seek approval of any contracts towards meeting the RAM VI mandate set forth in D.14-11-042.

1.6. Resolution E-4783

On July 14, 2016, the Commission issued Resolution E-4783 which resolved Advice Letter 2849-E. The Commission also found that SDG&E had not met its mandated RAM procurement target of 164.7 MW, and therefore ordered SDG&E to procure additional capacity from the bids it received in its sixth RAM solicitation as ordered by D.10-12-048, D.12-02-002, and D.14-10-042. The Commission also gave SDG&E the alternative of holding a seventh RAM solicitation provided it concluded the solicitation by June 30, 2017.

1.7. The Instant Petition

On October 27, 2016, SDG&E filed two related pleadings that essentially seek the same relief: First, the instant Petition to Modify D.10-12-048, D.12-02-002, and D.14-11-042; and second, Application for Modification of Resolution E-4783 to Terminate its Renewable Auction Mechanism Procurement Requirement.³ Both the Petition and the Application assert the same reasons for relief. Stated briefly, these reasons are that SDG&E has not fully implemented the RAM but is ahead of the renewable energy targets under the RPS program and can meet future targets without incurring additional RAM costs. SDG&E also argues that continuing RAM procurement would be inconsistent with the Integrated Resource Planning (IRP) process.

³ SDG&E clarifies that while it uses the word terminate, it is not asking the Commission to terminate the RAM. Instead, SDG&E is seeking to discontinue any further obligations it has to procure power under the RAM program. (Petition at 2, footnote 3.)

1.7.1. Responses

No party filed a response opposing the Petition.4

2. Discussion

2.1. Standard for Granting Petitions for Modification

Petitions for Modification are governed by Rule 16.4 of the Commission's Rules of Practice and Procedure. Rule 16.4(b) contains the substantive requirement that the moving party must show to justify the requested relief:

A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

Of necessity, Petitions for Modification are fact-specific petitions, the success of which will be dependent on the particular circumstances of the proceeding at issue.

Rule 16.4(d) also contains a timing requirement that Petitions for Modification of a decision must be filed within a year of the issuance of the decision or, if more than a year has elapsed, the Petition must "explain why the petition could not have been presented within one year of the effective date of the decision."

⁴ On the same day that SDG&E filed its Application for Modification, Office of Ratepayer Advocates (ORA) did file a response supporting SDG&E's position. On April 10, 2017 ORA also submitted a letter to Timothy Sullivan, Commission Executive Director, supporting SDG&E's March 28, 2017 letter requesting an Extension of Time to Comply with Resolution E-4783.

2.2. SDG&E's Claim that the RAM Program Goals Have Been met is Factually Inaccurate

The RAM program has been in place for nearly seven years. Four years into the program, the Commission stated in D.14-11-042 that the "original objects of RAM have been met." SDG&E states that it considers its request to discontinue its RAM procurement obligations consistent with and in furtherance of its interpretation of the Commission's statement.⁶

But the Commission's statement must be put in context. The Commission did not suggest that SDG&E should be able to discontinue any further RAM obligations. To the contrary, the Commission stated that RAM could still be useful in achieving other legislatively-mandated energy goals such as renewable energy development and greenhouse gas reduction:

Furthermore, in contrast to the situation when the Commission adopted RAM, the IOUs today are in a positive position for meeting their statutory RPS compliance target for compliance periods 2011-2013 and 2014-2016 and are expected to meet their compliance period 2017-2020 obligations with relatively minimal additional procurement. Therefore, the original objectives of RAM have been met, and we decline to renew RAM under the same structure adopted in D.10-12-048, as suggested by some parties.

In examining whether RAM offers benefits to the market under a different objective to reflect current market conditions, we find merit in the suggestions of SDG&E and ORA. As suggested by SDG&E and ORA, we find that RAM may provide IOUs with a procurement tool to facilitate more streamlined procurement for RPS needs. Furthermore, we find that RAM could provide IOUs with a tool to procure

⁵ D.14-11-042 at 91.

⁶ Petition at 7.

other Commission authorized renewable procurement, such as, any capacity authorized under the so-called green tariffs pending before the Commission pursuant to SB 43 and other system or local needs.⁷ We expect IOUs to explain in their annual RPS procurement plan filings how any proposed RAM could satisfy an authorized procurement need, including, for example, system Resource Adequacy needs, local Resource Adequacy needs, RPS needs, reliability needs, LCR needs, GTSR needs, and any need arising from Commission or legislative mandates.

Accordingly, in all future RPS Procurement Plans filed by PG&E, SCE, and SDG&E, starting with the 2015 annual RPS procurement plans filings, the utilities shall include, at the discretion of the utility, RAM as a streamlined procurement tool. The parameters of the newly adopted RAM procurement tool are discussed below.⁸

When the phrase "the original objectives of RAM have been met" is harmonized with the remaining statements in D.14-11-042, the Commission's previous comments do not support SDG&E's conclusion that its obligations under the RAM program should be terminated. In fact, the Commission's full comments lead to the exact opposite conclusion than the one SDG&E would ask this Commission to adopt.

2.3. SDG&E's Claim that it Carried Out All of its RAM-Related Responsibilities is Undermined by SDG&E's Admission that it has not Met its RAM Capacity Target

SDG&E maintains that it has fulfilled its obligations under the RAM program by conducting six RAM program solicitations and executing contracts

⁷ R.13-12-010, Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans (December 19, 2014).

⁸ D.14-11-042, mimeo, at 89-90.

for more than 140 MW.⁹ But by SDG&E's own estimation, it has not met the target of 164.7 MW RAM capacity that the Commission established in D.14-11-042. SDG&E attempts to explain this shortage on project failures, allegedly beyond SDG&E's control, that resulted in the loss of more than half of SDG&E's executed project capacity.¹⁰ Regardless of whether or not SDG&E used its best efforts to carry out its responsibilities, the fact remains that its RAM capacity target of 164.7 MW remains unmet.

We also reject SDG&E's argument that it acted consistently with the Commission's directives in not executing additional contracts as the remaining projects were not competitively priced. In fact, the Commission rejected this same argument when it issued Resolution E-4783 on July 14, 2016:

SDG&E argues that the remaining bids were "not cost competitive." Consequently, SDG&E did not shortlist any additional bids. SDG&E's basis for rejecting bids is that the bids were not the top 10% of bids in terms of bid ranking price in the RAM VI solicitation and comparison to previous solicitations. A bid not being in the top 90 percentile of RAM bids is not sufficient evidence to establish that it is unreasonable and uncompetitive relative to the "IOU's other renewable opportunities." Additionally, the previous solicitations are not reasonable for comparison as they were conducted more than a year prior to the RAM VI auction and, as stated above, each RAM auction is a standalone auction. Therefore, SDG&E has not demonstrated that the unselected bids in the RAM VI solicitation are not reasonable.¹¹

⁹ Petition at 7.

¹⁰ *Id*.

¹¹ Resolution E-4783 at 6.

As such, the purported lack of cost-competitive bids is not a legitimate justification for SDG&E to end its RAM procurement obligations.

2.4. SDG&E's Achievement of its RPS Targets Ahead of Schedule Does Not Justify the Request to End its RAM Solicitation

SDG&E's claim that it is well ahead of California's RPS mandate, and is on track to deliver 45% of its energy from renewable resources by 2020, does not justify the termination of its RAM solicitation obligations.¹² Resolution E-4783 explained that RAM serves other useful RPS functions, making its continuation essential to meeting California energy goals:

While the Commission agrees that SDG&E is forecasted to meet its RPS requirements, SDG&E is ignoring that D.10-12-048 required RAM as a procurement opportunity for smaller renewable energy projects that are eligible for the California RPS Program but are not able to participate in the RPS annual solicitation, and not just to fulfill RPS need. RAM and several other RPS programs adopted by the Commission have been approved to promote the growth of specific renewable market segments and are not solely based on RPS need, e.g., the SB 1122 feed-in-tariff for bioenergy projects, ReMAT feed-in-tariff for smaller sized renewable projects, and the GTSR program for community based projects. In addition, D.12-02-002 combined SDG&E's solar photovoltaic (PV) program solar targets with RAM. The solar PV program authorized 26 MW of utility owned generation and 74 MW of power purchase agreements with independent power producers to incentivize small-scale PV facilities. SDG&E's justification for not meeting RAM targets ignores Commission orders and is thus not reasonable.

¹² Petition at 8-9.

SDG&E has failed to present any persuasive arguments or evidence in its Petition that would persuade the Commission to reverse its earlier determination that SDG&E must continue the RAM program regardless of SDG&E's achievement of its RPS targets.

Furthermore, even if the Commission were to agree with SDG&E's claim that it has sufficient RPS resources currently under contract to meet immediate RPS requirements, we find that this is an insufficient reason to grant SDG&E's Petition to end its RAM participation. In reaching this conclusion, we have reviewed and weighed SDG&E's request against our decisions that have implemented the RAM program, as well as California's greenhouse gas reduction goals and renewable energy needs. When all of these factors are considered, we find that SDG&E's RAM participation is still needed.

California's overarching mandate to reduce 2030 greenhouse gas emissions by 40% below 1990 levels is set forth in SB 350, also known as the Clean Energy and Pollution Reduction Act of 2015. SB 350 requires the Commission to meet these higher pollution reduction goals through a combination of increased renewable energy procurement, energy efficiency, integrated resource

¹³ SB 350 (De Leon, Stats, 2015, ch.547).

¹⁴ Pub. Util. Code §§ 400 and 740.8 require the accounting of the use of distributed generation to the extent it provides economic and environmental benefits; and to create high-quality jobs or other economic benefits in disadvantaged communities.

¹⁵ Pub. Util. Code § 454.55-56 requires the establishment of strategies for, and provide updates on, progress toward maximizing energy efficiency savings in disadvantaged communities.

planning,¹⁶ and the promotion of transportation electrification.¹⁷ This may very well require procurement of renewables in excess of a 50% RPS.

In addition, even before the enactment of SB 350, the Legislature tasked the Commission with implementing and administering the RPS rules for California's retail sellers (*i.e.* IOUs, electric service providers, and community choice aggregators) so that they meet the goal of increasing procurement of electricity from eligible renewable energy resources. The RPS program was established in 2002 under SB 1078,¹⁸ was accelerated in 2006 under SB 107,¹⁹ and was expanded in 2011 under SB 2.²⁰ In D.12-11-016, the Commission refined the RPS procurement process as part of its implementation of SB 2, and has implemented SB 2 in several Commission decisions, including D.11-12-020, D.11-12-052, Decision 12-05-035, D.12-06-038, D.13-05-034, D.14-12-023, and D.15-12-025. In view of these challenging yet worthwhile environmental goals, it is imperative that the Commission remain resolute in its efforts to decarbonize California's

¹⁶ Pub. Util. Code §§ 400 and 454.52 require the establishment of disadvantaged advisory; minimization of localized air pollutants; account for economic and environmental benefits; and establish publicly available tracking system of SB 350 implementation progress.

¹⁷ Pub. Util. Code § 740.12 requires increased access for disadvantaged, low and moderate income communities to transportation electrification in order to enhance air quality, lower GHGs, and provide overall benefits to those communities.

¹⁸ Sher, Stats. 2002, ch. 516. This legislation established, among other things, that the amount of electricity procured per year from eligible renewable energy resources, as defined therein, would be an amount equal to at least 20% of the total electricity sold to retail customers in the state by December 31, 2017.

¹⁹ Simitian, Stats. 2006, ch. 464. The Legislature accelerated this goal to 20% by 2010.

²⁰ Simitian, Stats. 2011, ch. 1. The Legislature made significant changes to the RPS Program, most notably extending the RPS goals from 20% of retail sales of California's IOUs, electric service providers (ESPs), and community choice aggregators (CCAs) by the end of 2010 to 33% of retail sales of IOUs, ESPs, and CCA and publicly owned utilities by 2020.

electricity supply while maximizing the value of existing and potential renewable resources.

Moreover, SDG&E's continued participation in RAM will help create a more robust RPS market. As noted above, D.10-12-048 required RAM to be a procurement opportunity for smaller renewable energy projects that are eligible for the California RPS Program but are not able to participate in the RPS annual solicitation, and not just to fulfill RPS need:

RAM and several other RPS programs adopted by the Commission have been approved to promote the growth of specific renewable market segments and are not solely based on RPS need, *e.g.*, the SB 1122 feed-in-tariff for bioenergy projects, ReMAT feed-in-tariff for smaller sized renewable projects, and the GTSR program for community based projects.²¹

In accordance with these earlier findings, the Commission believes that the IOUs, such as SDG&E, are in a position to identify opportunities that RAM can help satisfy and, which will, in turn, maximize participation in the RPS annual solicitation.

2.5. SDG&E's Claim that Continuation of RAM is Inconsistent and Incompatible with the IRP Process is Factually Unsupported

Here, SDG&E attempts to marry the Commission's duty to protect ratepayers with Pub. Util. Code § 454.52 *et seq*, which requires the Commission to implement an IRP process to, inter alia, minimize impacts on ratepayer bills. In SDG&E's view, it would be inconsistent with the IRP goal of lessening ratepayer

²¹ Resolution E-4783 at 7.

burden if IOUs such as SDG&E are compelled to continue to procure RAM when it is not needed to satisfy California's energy needs.²²

We reject SDG&E's position for two reasons. First, as we demonstrated, *supra*, there is still a need for the continuation of the RAM procurement program and for SDG&E to meet the RAM targets that the Commission has set. Second, there is no evidence in the record, other than argument and conjecture, that continuing the RAM procurement program will adversely affect ratepayer bills. Accordingly, we find SDG&E's position to be unfounded and unpersuasive.

2.6. SDG&E's Petition is Untimely

D.10-12-048 was issued on December 18, 2010. D.12-02-002 was issued on February 1, 2012; and D.14-11-042 was issued on November 20, 2014. On its face, it would appear that SDG&E's Petition is untimely as it was filed on October 27, 2016. But SDG&E approaches the timeliness issue in a peculiar way by focusing on the date of Resolution E-4783. SDG&E reasons that its Petition is, in fact, a response to the directives in Resolution E-4783 which was issued on July 14, 2016 and changed all the underlying RAM directives applicable to SDG&E.

We reject SDG&E's argument. It was the three decisions identified in the foregoing paragraph that established the RAM procurement target that SDG&E admitted that it did not meet. SDG&E should have filed its Petition within a year of the last of the three RAM decisions, D.14-11-042, which the Commission issued on November 20, 2014. No explanation has been offered why the Petition could not have been filed by November 20, 2015.

²² Petition at 9.

3. Comments on Proposed Decision

The proposed decision of ALJ Mason in thi	is matter was mailed to the
parties in accordance with Pub. Util. Code § 311,	and comments were allowed
under Rule 14.3. Comments were filed on	by

4. Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner and Robert M. Mason III and Anne E. Simon are the assigned ALJs in this proceeding. **Findings of Fact**

- 1. In 2010, the Commission adopted the RAM program through D.10-12-048 to create a simplified market based procurement process for smaller RPS generation projects.
- 2. The RAM program started as a market-based procurement mechanism for renewable DG projects greater than 3 MW and up to 20 MW. (*See* D.12-05-035.)
- 3. The Commission initially authorized the utilities to procure 1,000 MW (expanded to 1,299 MW by D.12-02-035 and D.12-02-002) through RAM by holding four auctions over two years.
- 4. On February 1, 2012, The Commission issued D.12-02-002 which, in part, granted SDG&E's request to combine SDG&E's solicitation of 74 MW from independent power producers via the Solar Energy Project Program with SDG&E's solicitation of 80.7 MW through the RAM program, for a combined 154.7 MW through RAM.
- 5. Subsequent to D.12-02-002, the Commission further refined the RAM program through Resolution E-4489 (April 19, 2012), Resolution E-4546 (November 8, 2012), Resolution E-4582 (May 9, 2013), and Resolution E-4655 (May 15, 2014). Of note, Resolution E-4582 authorized a fifth RAM auction to take place no later than a year after the close of the fourth RAM auction.

- 6. On November 20, 2014, the Commission issued D.14-11-042 and adopted one additional RAM auction, RAM 6, to close by June 30, 2015. The Commission ordered SDG&E to procure an additional 10 MW for a total of 164.7 MW.
- 7. In the RAM 6 solicitation that was held from July 13, 2015 to August 21, 2015, SDG&E initially sought to shortlist one 20 MW bid and contingently shortlist four other bids (out of 35 conforming bids) subject to follow-up with respondents on those bids.
- 8. SDG&E did not shortlist enough bids to meet its target of the RAM VI auction, nor did it sign any contracts.
- 9. SDG&E has a 62% shortfall towards meeting its Commission-mandated RAM targets.
- 10. Resolution E-4783 directed SDG&E to fulfill its requirement to procure 164.7 MW through bids received in the RAM VI auction or to hold a seventh RAM solicitation to procure the requisite MW to meet its remaining RAM requirements.
- 11. SDG&E filed its Petition for Modification more than a year after the Commission issued D.14-11-042.

Conclusions of Law

- 1. SDG&E's Petition is untimely and does not contain sufficient justification as required by Rule 16.4 for the proposed modification.
 - 2. SDG&E's Petition should be denied, effective immediately.

ORDER

IT IS ORDERED that:

- 1. San Diego Gas & Electric Company's Petition for Modification of Decision (D.) 10-12-048, D.12-02-002, and D.14-11-042 is denied.
- 2. Rulemaking 11-05-005, Rulemaking 08-08-009, and Application 08-07-017 shall remain open.

This order is effective today.	
Dated	, at Chula Vista, California.